

Message Text

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PAGE 01 TOKYO 16643 090908Z

15

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C O N F I D E N T I A L TOKYO 16643

E.O. 11652: GDS

TAGS: ETRD, JA

SUBJECT: US SILK EXPORTS TO JAPAN

REF: (A) TOKYO 16394 (B) TOKYO 16381

SUMMARY: DURING NOV. 8 TALKS ON THE SILK ISSUE, MITI AGAIN EMPHASIZED ITS DIFFICULT POSITION RE DECREASING DOMESTIC DEMAND FOR SILK AND A PRESENT EXCESS OF IMPORTS, STATING THAT IT WOULD BE DESIRABLE FOR RECENT THROWN SILK SUPPLIERS SUCH AS THE US TO REDUCE IF NOT TERMINATE THESE EXPORTS TO JAPAN. DESPITE THIS, MITI TOLD US "IN STRICTEST CONFIDENCE" THAT, IN RESPONSE TO OUR LATEST REQUEST, THEY WOULD ALLOW A MAXIMUM OF 200 ADDITIONAL BALES OVER THE AGREED AMOUNT (2,020) TO ENTER JAPAN DURING THE PERIOD JAN 1976 - MARCH 1977. END SUMMARY.

1. EMBOFFS MET WITH MITI (HONOB AND HARADA) NOVEMBER 8 TO FOLLOW UP NOVEMBER 4 SMITH-TAKAHASHI TELEPHONE CONVERSATION AND PIEZ-TAKAHASHI MEETING ON THROWN SILK EXPORTS (REFTEL A). MITI OFFICIALS INDICATED THAT FOLLOWING REPLY TO U.S. REQUEST IS BASED ON MEETING WITH
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PAGE 02 TOKYO 16643 090908Z

TAKAHASHI AND FUJIWARA (CONSUMER GOODS BUREAU DIR. GEN.)

2. MITI AGAIN DISCUSSED LONG-RANGE PROBLEMS AS DESCRIBED REFTEL B -- THAT IS, 1) A DIVISION OF SILK EXPORTERS INTO "TRADITIONAL" AND "NON-TRADITIONAL" (AS A RECENT EXPORTER OF THROWN SILK, U.S. IS IN THE LATTER GROUP); 2) THE DECREASING AGGREGATE DEMAND FOR SILK IN JAPAN; 3) THE PRESENT GLUT OF IMPORTED SILK IN JAPAN; 4) THE NEED TO GIVE PREFERENCE TO TRADITIONAL SUPPLIERS. IN LIGHT OF THE ABOVE SITUATION, MITI HOPES THAT ALL "NON-TRADITIONAL" EXPORTERS WILL REDUCE EXPORTS "TO A MINIMUM LEVEL", IF NOT STOP THEM ALTOGETHER. THIS IS ALSO IN LINE WITH MITI'S FEELING THAT RAW SILK IS REALLY THE ONLY DESIRABLE FORM OF SILK FOR IMPORT.

3. MITI SAID THAT IT IS WELL AWARE OF U.S. INDUSTRY PROBLEMS AND INDUSTRY/POLITICAL PRESSURES ON U.S.G., BUT AGAIN EMPHASIZED THAT IT IS IN A VERY DIFFICULT POSITION. THE MOST THAT MITI CAN DO FOR OUR REQUEST OF AN INCREASE IN U.S. THROWN SILK EXPORTS IS TO ADD ANOTHER 200 BALES TO THE PREVIOUSLY COMMITTED FIGURE OF 2,020 (REFTEL B) FOR A TOTAL OF 2,220 BALES FOR THE PERIOD JAN 1976 - MARCH 1977.

4. EMBOFFS DISCUSSED IMPORTANCE OF A STEADY MONTH TO MONTH CLEARANCE OF US SILK BALES INTO JAPAN. MITI REPLIED THAT THIS WAS ALSO DESIRABLE FOR DEALING WITH THEIR DOMESTIC INDUSTRY.

5. MITI THEN ASKED ABOUT THE FUTURE PLANS OF THE U.S. INDUSTRY - WOULD IT CONTINUE TO PUSH FOR A "MAXIMUM" LEVEL OF EXPORTS TO JAPAN. EMBOFFS MENTIONED A U.S. INDUSTRY DESIRE TO EXPORT UP TO 300 BALES PER MONTH TO JAPAN (THIS WAS GREETED WITH NERVOUS LAUGHTER), AND PROMISED TO REQUEST MORE INFORMATION ON THIS MATTER. WE ALSO POINTED OUT THAT U.S. INDUSTRY WILL BE CONCERNED ABOUT OVERALL SILK TRADE, INCLUDING U.S. IMPORTS OF SILK FABRIC. MITI OFFICIALS ONLY NOTED THIS LATTER POINT, WITHOUT ANSWERING SUBSTANTIVELY.

6. MEETING CLOSED WITH A STRONG REQUEST FROM HONOB
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PAGE 03 TOKYO 16643 090908Z

AND HARADA TO KEEP THE INCREASE OF 200 BALES "SECRET". ALL SIMILAR REQUESTS FROM OTHER EXPORTERS HAVE BEEN DENIED, AND NO ONE IN THE GOJ OTHER THAN MITI'S CONSUMER BUREAU IS PRESENTLY AWARE OF THE 200 BALE INCREASE.

7. AS INDICATED IN PARA. 5, IT WOULD BE HELPFUL TO US TO HAVE A BETTER IDEA OF WHAT THE US SILK INDUSTRY

INTENDS TO DO ABOUT FUTURE EXPORTS TO JAPAN. WE HAVE
AN IDEA OF WHAT THEY ARE CAPABLE OF AND WHAT THEY WOULD
LIKE TO HAVE -- UP TO 300 BALES A MONTH AS LONG AS US
THROWN SILK REMAINS PRICE COMPETITIVE -- BUT WHAT
WILL THE INDUSTRY SETTLE FOR IN THE FACE OF CONTINUED
JAPANESE RESISTANCE TO INCREASES IN U.S. EXPORTS?
HODGSON

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